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14 March 1977

MEMORANDUM FOR: Chief, Congressional Support Staff
Center for Policy Support

SUBJECT : Meeting with Staff Members from Senate
Select Committee on Intelligence

25X1 1. On 8 March I met with Messrs. Hal Ford and Ted Ralston of the Senate Select Committee Staff. The meeting had been requested by Ford to discuss the NIE 11-3/8 Team B report, which he currently has under study. He took the opportunity of the meeting to discuss as well the Alsop article on [redacted], our estimates of Soviet defense spending, and the degree of acceptance of CIA costing estimates in the Intelligence Community.

The Team B Report

25X1 2. Mr. Ford was interested in learning who authored the economic section of the Team B report and what we think of it. I told him that the section was written by [redacted] 25X1 [redacted] and that it contained little with which we could agree. I pointed out specifically that

- 25X1 a. [redacted] charge that our past cost estimates consistently understated the threat is not true. The magnitude of Soviet defense activities has always been measured in dollars--not rubles--and these estimates did not change.
- 25X1 b. [redacted] assertion that there has never been competition for resources in the USSR--as claimed in earlier NIE's--is not true. There has been, and continues to be, competition for resources in the USSR.

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- 25X1 c. [] accusation that previous estimates used economics dishonestly to further the policy preferences of the analysts is simply not true.

These points seemed to coincide with the views of Ford and Ralston on the subject.

The Alsop Article

3. Ford was interested in learning the source of the information in the Alsop article, as well as the facts regarding the handling of [], the reporting of the new information, and last year's change in our estimates of Soviet defense spending. I told him that the article appears to be pure [] and pointed out that the account of the lie detector episode is [] version--one which is unique to his memory. Ford commented that this did not surprise him inasmuch as [] has been talking with Alsop for years. I then showed him the correspondence by which we had kept important officials informed of our interpretation of the new information. Ford requested a copy of a memo dated 17 October 1975 signed by Paul Walsh. The memo apprised the Secretary of Defense that we had established the basic credibility of [] and that the major problem with our old estimates was an under-estimation of ruble-dollar ratios for military hardware.

4. With respect to our estimates of defense spending, I explained that they are derived by a [] methodology and, except for some minor inputs, are independent of the information reported by []. I indicated that 90 percent of the change resulted from new information of prices of military goods in the USSR, which has been accumulating over the past several years, and briefed him on the timing and sources of this information. The critical importance of [] information as an independent check on our estimates--and in giving us the courage to move in the direction that the analysis of the new information was leading us--was also pointed out. Both Ford and Ralston appeared to be satisfied with the explanation.

The Acceptance of CIA Estimates

5. Mr. Ford asked who it is within the Administration that is challenging the CIA cost estimates and what is the nature of the challenge. My answer was as follows.

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There is no serious challenge to the CIA estimates from within the Administration. If there is a challenge it comes from outside of the Government. Even there, [] are the only antagonists that we have been able to find. Within the Intelligence Community, the DIA and the individual services treat the CIA estimates as national estimates and represent them as such. Outside of the Community, the DoD is an avid consumer of the estimates, which are used extensively in the Secretary of Defense's posture statements. Indeed, much of our work is in response to DoD requests.

6. Mr. Ford was somewhat surprised by this response and by the voluminous correspondence from Andy Marshall defending our estimates and requesting military economic studies. Ford asked for copies of the correspondence, which I gave him. He had thought that the DoD, and Andy Marshall in particular, was our principal antagonist. I pointed out that, while the DoD naturally would like the estimates to be higher, it remains a strong backer of the direct costing method.

[]
Acting Chief
Military-Economic Analysis Center
OSR

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